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The

CREDIT WORLD

The Official Organ of the NATIONAL RETAIL CREDIT ASSOCIATION



Credit Men are Made—Not Born

THE Credit Manager who never gets outside the four walls of his office cannot be expected to acquire the knowledge so necessary for the Retail Credit executive of today. This is the age of "Grow or Go," and the Merchant who does not give his Credit Manager every opportunity to learn the experience of others and keep abreast of the times, is standing in his own light.

The best way to learn is to fraternize with people who know. Join the local Retail Credit Association. Join the National organization. Attend all Meetings, Conferences and Conventions. You will find the best posted and most successful Credit Managers are men and women who do these things.

At Kansas City, Missouri, June 19-20-21-22, over one thousand members of the N. R. C. A. will meet. Every Merchant should insist upon his Credit Manager attending because it will pay dividends in the long run.

Dr. Crane says "From the chin down, you are worth about One Dollar and one-half a day. But from the chin up, there is no limit."

Develop that part above your chin by attending the National Convention of the N. R. C. A., a purely educational meeting.

D. J. Woodlock
Manager-Treasurer

VOL. XVI—No. 8

APRIL 1928





Credit Men:-- **Kansas City Invites You!**

National Retail Credit
ASSOCIATION CONVENTION

JUNE 19 to 22, 1928

KANSAS CITY is geographic-
ally the "Heart of America,"
in easy access to the vacation
lands of the North, West, South
and East. This is advantageous to
those who expect to combine
pleasure with business by taking
their annual vacation after the
convention here.

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IS
CENTRALLY
LOCATED

Kansas City is served
by Thirteen Trunk
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ing the second lar-
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is reached from all
sections of America
in a shorter average
traveling time at a
lower average rail-
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other city.

SMOOTH ribbons of concrete
highway stretch for countless
miles in every direction from
Kansas City, beckoning the vaca-
tionist to follow and forget his
cares. Interesting places of un-
rivalled beauty are within a few
hours driving distance from Kan-
sas City.

Reservations are already being received!
Many have notified us of their intentions to
meet here in 1928

Address all communications to
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KANSAS CITY, MISSOURI

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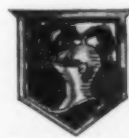
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ISSUED
MONTHLY

THE CREDIT WORLD

OFFICIAL MAGAZINE
OF THE

NATIONAL RETAIL CREDIT ASSOCIATION

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No. 8

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MR. MERCHANT

Do you know the thief that is robbing you of your profits while you are looking at him—the thief that is undermining your credit department?

Do you know the thief that is stealing money out of your business, which if retained by you and reinvested in merchandise and service would greatly increase your earnings and your prestige in your community?

Do you know the thief that is stealing so much of your money that his machinations have actually affected the credit policy of your business to such an extent that your faith in human beings has waned and you have driven good business from your door?

OLD MAN PROFIT AND LOSS ACCOUNT IS THAT THIEF!

Are you allowing this malignant business parasite to eat out your very vitals? Are you submitting blindly to the ravishings of this nightmare of business upon the presumption that loss on accounts is an uncontrollable contingency which must be taken for granted?

STOP THAT THIEF ! !

Take advantage of the facilities in your community for minimizing the losses from bad accounts. Cooperate with the other live and wide-awake merchants and business men in your city in controlling the extension of credit and giving credit where it rightfully belongs—only—to the worthy applicant. DON'T give credit on a friendship basis; DON'T let sentiment enter into the operations of the credit element of your business. DON'T be afraid to apply business principles to the most important department of your business.

There is only one basis for the extension of credit, and that is experience and the experience of your fellow merchants with every charge customer in your community, is recorded in the files of your Credit Bureau. Capitalize on that experience of others—it's the cheapest way out. It's the accepted way, too. Thousands of merchants in America can't be all wrong.

Join your local Credit Bureau today—then go on out and play golf—joining that Bureau will be the best day's business you ever did. The Bureau will save you more on one bad risk, that you might otherwise give credit to, than a year's subscription to the Bureau will cost. And then, too, by joining your Bureau you will have the privilege of becoming a member of the National Retail Credit Association, one of the most powerful and influential business organizations in America. Its sixteen thousand members are banded together to improve Retail Credits generally, and to minimize credit losses specifically.

Line up with your local Credit Bureau and the National Retail Credit Association—TODAY. Make it a Grand Slam!

LEOP. L. MEYER,
President.

Crassus of Ancient Rome

(Credit Literature Committee)

WALLACE C. STONEMAN

Collection Manager, O'Connor-Moffatt & Co.

Editor, Credit Echoes, San Francisco, Cal.

CRASSUS was a great money-lender. He is probably entitled to the questionable honor of being the originator of the instalment plan.

His particular field of operation was in Ancient Rome at the time conflagrations were frequent and devastating. Fire departments were not well organized, presumably because able bodied men were in the legions or spent most of the time in the Roman baths. The baths were a great necessity in the boiling-out process following banquets and other forms of hard and high living during that age when leisure consisted of something more strenuous than a radio concert or a game of golf. But this short story is about Crassus the instalment man, and what finally happened to him, rather than an account of the many interesting side-lights on Rome.

Crassus first saw his opportunity in buying up the property of those unfortunate politicians proscribed or exiled by Sulla. Having amassed a great fortune, he cast about for other worlds to conquer and found one right at home in the conflagration idea. At times when large sections of the city were in flames, his agents rushed about and bought up property for a song, which was afterward sold back to the original owners or to others on the instalment plan at a price that netted him a very respectable profit. The idea would not work well today as the modern city does not have a real fire in many a moon, but the crafty Crassus could depend upon faithful old Rome to furnish him with a good crop almost every day. If his sales volume fell off a bit, he no doubt found ways and means of adding a little artificial stimulus to business. He probably watched his sales charts very carefully and had accurate comparisons of the same day last year, condition of the weather with special observance as to whether wet or dry, the amount of loose straw laying about, and the number of children noticed playing with fire-brands. His agents were rounded up for

Introducing a review of
"The Economics of
Instalment Selling"

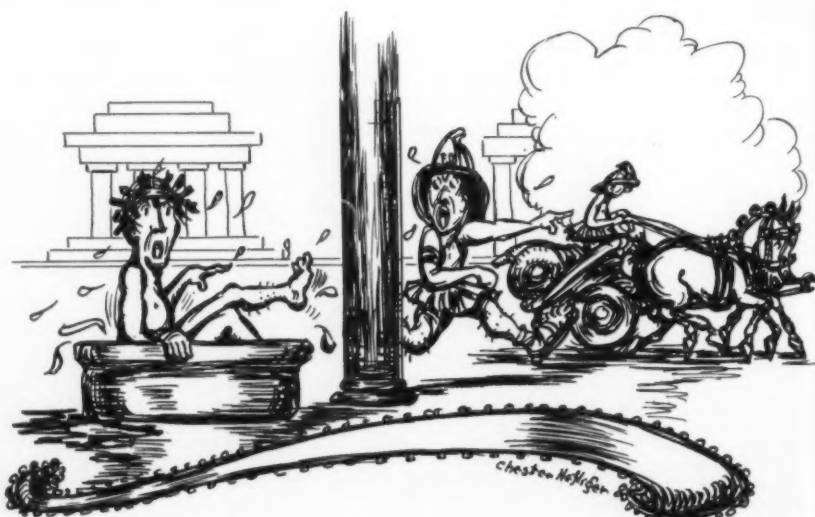
the usual morning meeting at which Crassus gave them a go-getter sales talk, passed out the gas masks, and sent them out into the smoke.

THE PARTHIAN SHOT

The wealth of Crassus grew apace and finally, by purchase or sharp business practice, he secured control of a vast eastern territory in what is now Asia Minor. Being a successful business man, he concluded he was also a great soldier, and prepared to emulate or even out-do the record of Lucullus who had extended the eastern frontier. There is a suspicion, too, that he had an eye to the great cities with priceless stores of wealth which he thought lay just across the Euphrates, in Persia. It is likewise possible that he wished to open up this new fertile territory for the proper expansion of his instalment business.

Like a sea of gleaming spears, his legions marched forth in solid phalanx. Instead of thriving cities waiting to be taken and looted, his legions were soon confronted by great tribes of nomadic people whose warriors proved to be superb horsemen and accurate bowmen. Again the Roman was up against his ancient foe, the Scythian. This particular branch of the great tribe was called the Parthian and the name even to the present day is symbolic of deadly accuracy with the bow and arrow and a range that always gives the parting shot.

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Fire Departments were not well organized because able bodied men were in the legions or spent most of the time in the Roman baths.

Crassus of Ancient Rome

(Continued from page 4)

The valiant Roman legions thrust and charged against the elusive horsemen who circled round and round and shot them to pieces. The Parthians used a short composite bow made of several layers of horn, which projected the arrow at such unusual speed and force as to take heavy toll, and with a strange noise that was demoralizing to the enemy. The campaign finally ended in the two days' massacre which has gone down in history as the battle of Carrhae (53 B. C.). Twenty thousand Romans were killed and ten thousand taken as prisoners, marched eastward and, no doubt, spent the remainder of their lives in slavery.

The fate of Crassus is not definitely known. However, there is a more or less legendary tale to the effect that he was taken alive by the Parthians who felt they were giving him his just deserts, and satisfying his greed for wealth, by pouring down his throat a good sized measure of molten gold.

* * *

In his recent book, "THE ECONOMICS OF INSTALLMENT SELLING," Professor Edwin R. A. Seligman does not go into details regarding Crassus as being one of the originators of the Time Payment Plan, but he is men-

tioned among others as one of the old-timers who knew how to figure interest. The book, in two volumes, is a big work, at a fairly big price. However, it is well worth the time and money of any credit man to get it and read it.

Many of the introductory chapters may be read hurriedly as they have only an historical interest and form the general background of credit as a whole. It is assumed that we all know what instalment credit is and we agree with Mr. Seligman that a rose by any other name is just as sweet. Likewise, we all agree and have said many times that credit rests primarily on character, and time is the great factor.

NO STATUES

The historical background is worth knowing, but we are not greatly interested in the man who organized



WALLACE C. STONEMAN

the first Finance Company as it is very doubtful that a statue will be erected to his memory. It is still more doubtful that the first discounted instalment contract will find a final resting place in the archives of the Smithsonian Institute. As we know, there seemed to be some haggling about the eligibility of the Wright Brothers' first airplane which is now on the way to England, what chance has a mere piece of instalment paper?

Mr. Seligman's account of the low grade of type of early instalment selling is enlightening and only goes to show what a really beautiful thing can grow from an ugly duckling. There has been comment or criticism that practically

the entire work is devoted to automobile instalment selling, and that it is in the nature of a "white-wash" for that particular industry. This view of the book seems to be unjust. It must be remembered that the survey was made and the work undertaken at the invitation of Mr. John J. Raskob, Vice President of General Motors Corporation. The title plate of the book plainly carries the statement, "With Special Reference to the Automobile."

When other indus-

tries selling on the instalment plan can furnish as complete, comprehensive and logical a work by as eminent an economic authority as Professor Seligman, they will be in a better entrenched position from which to throw brick-bats.

THE BOOK

The best review of the work would be to take the author's final chapter "Conclusion" at the close of the first volume and condense it. The conclusions or summing up of the subject matter of each section of the book holds the interest, gives one page on which to hang his own ideas, and makes reading easy. A chapter is devoted to comparison and analysis of two other surveys made for the years 1924-25 by Mr. Nystrom and Mr. Ayres. The difference in figures, to the lay-

Turn to page 23, please

Common Sense in Collections

By J. A. BATZER, Collection Manager
The Hub, Baltimore, Md.

THE belief that the practice of permitting a customer to pay when he pleases tends to promote goodwill and increase sales is not borne out by experience.

The most successful retailers are those who urge strict compliance with their terms. It seems to be an obsession in the minds of some merchants, like the fear of the darkness in the minds of little children, that to ask a delinquent debtor for the money he owes is to incur his enmity, risk the loss of his business and the probable trade of his friends. Timidity and good business are not akin. A part of the sales transaction is the consideration that the payments be made when due. Must you pay tribute in good dollars and cents to keep him from knocking your store because you are dunning him for settlement of what, by every right, is yours, and should be paid.

Remember that a collection that is easy to-day may be difficult tomorrow, and impossible the day after. Don't forget that turnover in accounts is as essential as turnover in sales and the slower your collections become the slower the sales come.

It is a known fact that a debtor seldom goes to a store where he is already indebted, and his account past due, for fear of being turned down, whereas he feels free to approach the store where his account is in good standing, resulting in the loss of sales you would otherwise get. Marshall your forces and clean up the slate of slow pays, but in doing so keep in mind the four "P's" of successful collections: PROMPT, PERSISTENT, POLITE, PLEASANT.

Polite and pleasant means to use tact. Tact is the necessary element to your operation as a successful organization. A tactless collection department can kill more business than all your page advertisements can obtain. Gone is the day when you can use the office boy and expect a proper functioning of the collection department. Scientific collecting is merely salesmanship. You merely sell the delinquent debtor his reputation for honesty and integrity. And whatever may be the method, if you know your stuff you will get results. And all but a very small proportion of customers, fortunately for us, are honest, but, unfortunately there is a substantial proportion who are either entirely too optimistic with regard to their paying ability or

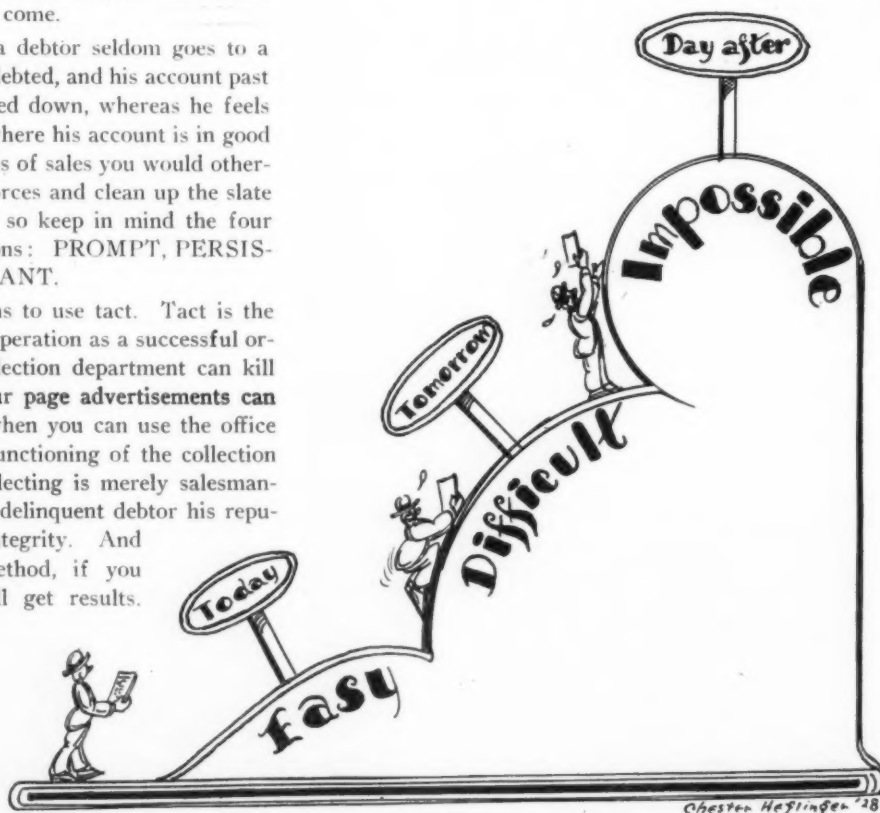
who buy without giving proper consideration to the day of reckoning.

The plan adopted in the following-up of collections depends to a certain extent on the policy of the management. Some insist arbitrarily on payment within a stated period but such a policy is hardly conducive to the best interests of a business as it does not take into consideration the circumstances in connection with the individual account. A collection plan should be formulated in advance, based on

- First—The standing of the customer
- Second—The worth of the account
- Third—Previous habit of payment
- Forth—Present indebtedness

After an account has become past due, it is advisable to send a statement. How soon this is sent will depend upon the policy decided upon. In many cases where payment has merely been overlooked, the statement will be a sufficient reminder, but where no response

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Remember that a collection that is easy today may be difficult tomorrow, and impossible the day after.

High Lights of Our National Convention Program

The Complete Convention Program will appear in the May CREDIT WORLD, but to give our membership an idea of what is in store for them, we give the following high lights:

TUESDAY MORNING, JUNE 19

We will be officially welcomed to Kansas City, and First Vice President J. R. Hewitt of Baltimore will tell our Kansas City friends how we appreciate their welcome.

President Meyer will make his official report of the year's progress, as will also Manager-Treasurer Woodlock, Secretary Hulse, Chairman of the Service Department Talkes, and Chairman of the Finance Committee G. A. Lawo.

Mr. Repp, of Duff & Repp Furniture Company, will deliver an address as a representative of the Kansas City Retail Merchants.

DOCTOR JULIUS KLEIN, CHIEF OF THE UNITED STATES DEPARTMENT OF FOREIGN AND DOMESTIC COMMERCE, WILL BE THE OUTSTANDING SPEAKER OF THE MORNING SESSION, AND HIS ADDRESS, DEALING WITH ECONOMIC AND COMMERCIAL PROBLEMS, WILL BE OF GREAT EDUCATIONAL VALUE.

Director A. D. McMullen of Oklahoma City will talk on "The Credit Man and the Credit Bureau."

TUESDAY AFTERNOON, JUNE 19

"Credit Operation Costs and Control" will be the subject of a talk by Mr. E. B. Schick, of the Crowley Milner Company, Detroit.

Dr. Carl N. Schmalz of the University of Michigan will tell what the Michigan Bureau found in making a research of Retail Credit conditions.

"The Credit Bureau as a Control of Installment Selling" will be the subject of R. S. Martin of San Francisco.

"Creating Credit Efficiency by Class Study" will give J. H. Edgerton of New York a chance to tell of educational work started this year.

F. J. Habein, Secretary of the Commercial Service Association of Montana, will tell the Credit Manager the possibilities of his profession.

As a closing feature, a debate, "Resolved, That Interest Should Be Charged on Past Due Accounts," will give a chance for each delegate to join in the open discussion.

WEDNESDAY, JUNE 20

Again we hold those interesting Group Conferences, under the direction of Frank Batty, H. Liebes & Company, of San Francisco, as General Chairman.

The Service Department will have a chance to discuss intimate problems under the direction of Mr. Steve Talkes, Chairman, and Guy H. Hulse, Educational Director.

THURSDAY, JUNE 21

"The Value of Publicity in Educating the Public in the Prompt Payment of Accounts" will be subject of talk by Vice President Milton J. Solon, of The Dayton Company, Minneapolis.

Dr. R. J. Reinhard, Executive Dean of the Missouri State Dental Association, will tell of the Dentists' and Doctors' Credit Troubles.

"What's Ahead of the Retailer" will be the subject of Mr. Eagle Freshwater, of the National Furniture Institute, Grand Rapids.

Mr. C. C. Hanch, General Manager of the National Association of Finance Companies, will tell how that business has been stabilized from a credit standpoint.

"The Real Meaning of a Community Credit Policy" will be told by Steve Talkes of Washington, D. C.

Our National Secretary and Educational Director, Guy Hulse, will tell the shortcomings of the Credit Man as he views it from his extensive travels.

THURSDAY, JUNE 21

A discussion on the relative value of Charge and Cash customers should bring out much constructive thought.

Doctor W. F. Gebhart, Vice President of the First National Bank of St. Louis, and an authority on credit and economic matters, will give us his views of "Consumers Credit vs. Producers Credit."

"The Vanishing Point of Accounts Receivable" will be the subject of a talk by Mr. E. Gamlen of San Francisco.

Election of officers.

A debate, "Resolved, Installment Business Has Been Stabilized."

FRIDAY, JUNE 22

Report of By-Laws Committee.

Report of Resolution Committee.

A talk on what the Credit Man must know about law, by Honorable Lawrence McDaniel, Counsel.

A discussion of the Credit Manager's duties to the customer.

Where do we go in 1929?

Address by the new President.

Creditorial

(Reg. U. S. Pat. Off.)

By LOUIS SINCLAIR GRIGSBY, Ass't. Secy.
Associated Retail Credit Men of Washington, D. C.

IT WAS quiet along the Potomac, too quiet in fact, for the Nation's Capital, with Congress in session, generally contrives to keep a place in the sun one way or another. Something would happen soon, and it did.

The telephone rang and a prominent credit grantor greeted us with, "Well, how about that radio talk this afternoon? Just exactly the way I feel about this credit application business. Too much red tape to open an account. You Bureau fellows place too much of a burden on the merchants." Taking a deep breath we inquired the basic reason for this outburst. It seems that a gentleman in New York City is delivering a series of talks over the radio for the consumption, particularly, of *Pro Bono Publico*. Our friend had listened in on the latest talk wherein this argument was broadcast for the edification of an eager populace: The typical credit application forms contains "insolent rubbish." According to press reports the gentleman said in part, "We do not have to be insulted, and we do not have to deal with anyone except the salesperson. There we should give our orders and recognize no other person whom the merchant may see fit to hire." The statement was made that the customer should refuse to meet the credit man. Oh, boy, what a great help to the proper conduct of a credit office. How many customers come in your store now and decline the honor of presentment to the credit executive? More than you care to admit, no doubt.

The end is not yet, however, the gentleman further stated, according to reports, "When you buy on ordinary credit it is the general understanding that you pay your bill within thirty days from its receipt. If

CONSUMERS URGED TO REFUSE CREDIT DATA

*Riegel Asks Public to Brush Aside
"Insolent Rubbish" of Typical
Credit Form*

Consumers were urged by E. C. Riegel, of the Riegel Corp., of New York, to brush aside the "insolent rubbish" contained in the typical credit application form and to refuse to meet a credit man, in the third of Mr. Riegel's series of radio talks over Station WEAJ this afternoon. "We do not have to be insulted," Mr. Riegel said, "and we do not have to deal with anyone except the salesperson. There we should give our orders and recognize no other person whom the merchant may see fit to hire."

"When you buy on ordinary credit," Mr. Riegel stated, "it is the general understanding that you will pay your bill within 30 days from its receipt. If these terms are not satisfactory to you, stipulate a change in terms at the time you buy."

With reference to installment payments, Mr. Riegel insisted that to sign the ordinary contract is to acknowledge that the merchant "has a right to discredit you, an acknowledgement you cannot afford to make if you are to uphold your dignity." He urged consumers to permit the merchant to add only one-half of one per cent to the price for each month that the buyer makes payment.

—Women's Wear Daily.

these terms are not satisfactory to you, stipulate a change in terms at the time you buy." Splendid idea, corking suggestion, but it is our fervent hope that the collection manager of a store carrying out this idea be given the patience of Job. He will need it.

The action of the store proprietor in developing a policy of extending credit to be carried out in detail by his credit manager is one based on profound business principles. Credit merchandising may be profitably handled only through systematic routine and the most important time, naturally, is the reference of the applicant for credit accommodation to the charge office. There is no implied insult, no reflection on the integrity of the customer and the *bona fide* purchaser of articles on credit realizes the necessity of such action.

In the event the salesperson acted as credit manager, it would be practically impossible to control a house policy relative to terms, limit, special arrangement, cash policy and delivery. The person who sells is more interested in disposing of merchandise than in the details concerning payment of the account. There would be, naturally, decided difficulty in impressing upon the minds of all employees that certain rules and regulations must be complied with before the merchandise would be delivered.

This argument demonstrates a delightful faith in human nature, an overwhelming confidence in the face value of the clientele of the retail establishments. Nothing is said concerning the possibility of an individual shopping in four or five departments of a large establishment, charging in each department more merchandise than their credit standing permits. Nor do we find any

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Creditorial

(Continued from page 8)

mention made of the customer who shops in several departments using a different name for the purpose of obtaining credit in each one. Of course, we realize that the Utopian dream we are discussing carries no intimation of the unworthiness of friend public for the purpose of paying on promise. It would be more of a nightmare if it did.

The centralization of effort, money, energy or intelligence is the moving force in life today. This condition has been brought about by process of time and the bitter experiences of those who found the level of usefulness only through cooperation or tolerance.

This gentleman surely does not mean to convey to the public that the credit granting profession is of mushroom origin of unhealthy caste. He surely does not intend that the merchants of the country should



Customer uses different names

it, old friend dignity over and above all, including the intelligent application of pledging responsibility. What a blow to the country the actual application of this unusual method would cause. Old John Z. Dignity feels that he cannot bring himself so low as to sign a contract for an installment account, thusly, he cannot borrow money at his bank, for the same reason and perish the thought, his family is deprived of home ownership, because the so-called head of the establishment will not sign on the dotted line. Years and years will pass before any person gifted with ordinary common sense will consider his personal

station far superior to the dictates of modern business methods.

Compared with the organized country-wide educational efforts of credit grantors in convincing the public of the imperativeness of following established rules of control as far as credit is concerned, a radio talk or other explosion along this line is merely a drop in the bucket. A very small reaction may take place in the immediate vicinity of the broadcasting station, but it would seem that the veriest tyro in sociey, the newest applicant for credit appreciates the fact that business is not conducted on a "beer and skittles" basis.

We honor this gentleman for the aggressiveness of his stand, we credit him with the conviction of his mind that things are not as they should be. At the same time, from past performance we are inclined to the belief that our esteemed and worthy friend, old Henry Y. America, and his cousin, Miss United States, are perfectly content with present arrangements if the barometer of business as indicated by the billions of dollars worth of merchandise sold on credit during the past years is a criterion.

We ask one question of this gentleman in New York. Is there any difference in walking up to the teller of a bank in his city and borrowing one hundred dollars to be paid in six months or as he pleases without reference to the assistant cashier, the cashier, the committee and the board or in approaching the salesperson in a retail establishment and charging one hundred dollars worth of merchandise without reference to the credit office? No difference, but try and do either.



The customer refused to meet the credit man

consider the likes and dislikes of the public enhanced by such information to a point where merchandising would be unprofitable. The slow, steady process of developing retail credit conditions in this country have been brought about by the control of credits, which mean nothing more or less than the control of customers. The first place to establish your control is in the store, when selection is made and the customer is referred to the charge office to make arrangements for opening an account.

We understand that this gentleman further stated in reference to installment payments that to sign the ordinary contract is to acknowledge that the merchant "has a right to discredit you, an acknowledgment you cannot afford to make if you are to uphold your dignity." There you are, take it or leave



Borrowing from the bank

Cash Register Town

By R. C. STOKES

SHELBYNA, Shelby County, Missouri, is the one town in the United States where credit is unknown; where there are no bookkeepers in the stores and where the cash register reigns supreme.

Shelbina is a town of two thousand inhabitants. Located on the main line of the Chicago, Burlington and Quincy railroad between St. Louis and Kansas City. It is the southern terminal of the Shelbina, Shelbyville and Northern road. It is at the intersection of two paved highways, the Pike's Peak Ocean to Ocean running from east to west, and the Pershing Highway extending north and south.

Shelbina is a cash town, from the very go. Fifteen years ago the Lasley clothing store went to a cash business over night. And, since that time, one by one, the nearly sixty merchants in all lines have adopted the no-credit plan until now, the city bears the distinction of being the only town in the country that sells for cash.

The city is surrounded by a rich agricultural region, the Monroe county line being two miles south.

BANKS COOPERATE

The banks cooperate in making Shelbina a strictly cash town, in that they loan twenty-five, fifty, a hundred or more dollars on short time paper. And, instead of the customer asking the store to carry him, the banks do so, and get the interest. The people meet their short time loans promptly, in many cases discounting their paper.

So strict is the "Cash at the block or no meat" rule observed that a man cannot even buy a pair of overalls or a woman twenty-five cents worth of thread unless they have the money. The same way with groceries, meats, hardware, farm implements, drugs, paints, oils and leads, jewelry, clothing, shoes, women's ready-to-wear, hosiery, notions, novelties, or anything the customer may desire, unless they pay the cash.

Here is where the banks come in for their loans. And here is also where the banker takes the risk, and the merchant does not. But, the banker gets the interest and he can afford to take some chances.

HOW IT WORKS

The manner of working out of this credit system is worthy of note. Farmer Jones finds that son John and his girl have set the date for their wedding, and it is to be next week. Now Jones can scarcely raise a sou with which to bless himself until those hogs can be marketed, and they won't be ready for at least thirty days. John, however, must have some money, and the butter and egg income will not be enough for the new suit and other expenses.

So Farmer Jones goes to his banker, who lets him have all the money he wants for sixty days, and Jones sends the boy off with flying colors. The hogs are sold in just a month and Jones takes up his note at the bank, the boy never knowing that the note had been a necessity.

The banker too, being used to carrying the financial secrets of the community says nothing of the deal, while if it had been necessary to secure credit at the store, he would probably have had to tell why he needed to get so much, and the approaching marriage would have been all over the county by night, such is the habit of gossiping clerks.

A grocer told the writer, when asked how he handled his credits: "I do not have any. My cash register shows each night just what I have sold. I have been here six years, and I haven't lost a dollar since I have been here on credits, simply because I do not extend credit. I don't have to worry when I go to bed at night about whether Bill Smith is going to pay me that big bill, because what L. haven't got the cash for, is right there on the shelves."

A hardware dealer said: "You ask me how I handle my credits. I simply do like all the rest of the dealers in Shelbina, sell for cash. The people have the habit now, and they never ask for credit. When you stop to consider the matter, it is a good thing, not only for the dealer but also for the customer, because he does not have to face any big bills each month, and what comes in may be spent as he sees fit, with no payments to make. On the other hand, we get the discount accorded for cash when we buy, and there is no further correspondence regarding the deal."

One could go on and quote merchants in various lines regarding how the cash business worked, but the foregoing should suffice.

Turn to page 11, please

Cash Register Town

(Continued from page 10)

WHAT THE CUSTOMER THINKS

One large land-holder owning over four hundred acres of land said "Before I moved to Missouri from Illinois a number of years ago, I was never refused credit in my life. When I wanted a suit of clothes, or my wife wanted a dress, or when we needed lumber, a piece of farm machinery, or anything I always went and got it whether I had the ready money or not, because they all knew I would pay. But I was stumped down here in Missouri after I had been here about a year. I wanted a coat for my little girl, I had the money in the bank, but wanted to use it for something else. I asked the merchant if he would give me two months in which to pay.

"I was told, courteously, that they extended credit to no one, not that I was not perfectly good, but credit was unknown in Shelbyna. I was rather mad at first. I wouldn't have bought the coat, but the child had so set her heart for it, I bought it and gave my check for it. After I have become accustomed to it, I like the plan. For I know every night just what I owe the Shelbyna stores—not a cent.

EFFECT ON PRICE

Contrary to what might be expected, in a town where the merchants sell for cash, one would suppose things would be cheaper than any other town, but

such is not the case. Things are no cheaper in Shelbyna than they are any place else. Notwithstanding the fact that they sell for cash and their turnover is quicker.

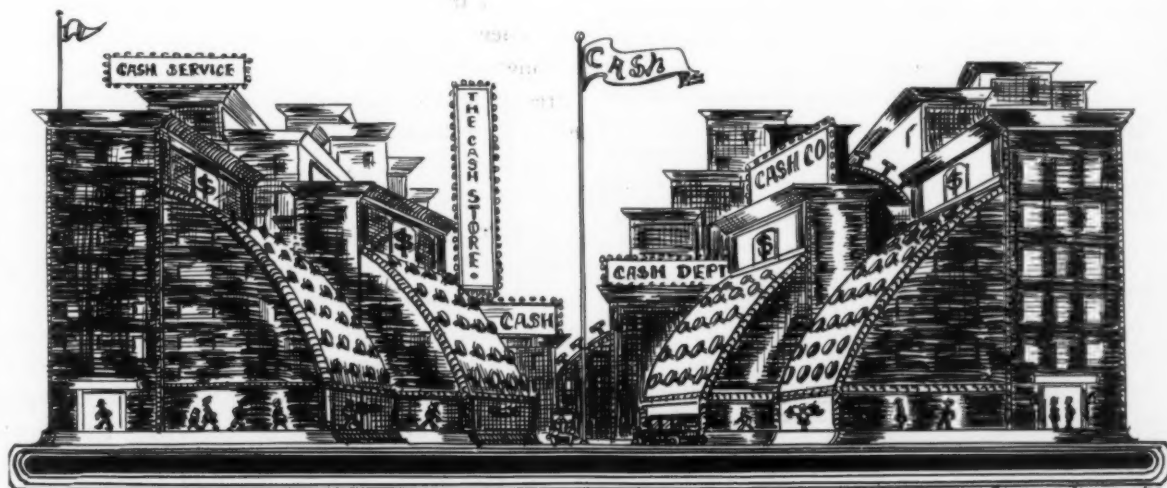
Shelbina looks like a thifty town. It has every appearance of prosperity. Its business houses are well displayed. One outstanding feature in Shelbyna is, there has not been a business failure in the city since the first store went to cash fifteen years ago. True, there have been changes in business, that is to be expected, but Shelbyna has not had a bankruptcy in many years, and she is one of the few towns of which this is true.

Shelbina is no different from any other city of its size. The merchants, while good are no better than they are elsewhere. The stocks, while clean are not superior to what any other merchant in the same size town

would carry. The people that trade in Shelbyna are just the same as in any other community, yet Shelbyna sells for cash, it is simply a matter of education. Teaching the public that, after all the cash system is best, and thereby hangs the tale of the success of Shelbyna, the only cash town in the country.

ASSOCIATED RETAILERS OF ST LOUIS ADOPT UNIFORM DEFERRED PAYMENT TERMS

The Associated Retailers of St. Louis, at a meeting held April 5, accepted the recommendation of the Retail Credit Men's Association and adopted uniform terms governing all deferred payment accounts. Hereafter all stores will require a minimum down payment of 20%, and will charge interest at not less than 6% on balances running over 90 days.



Shelbina, the only cash town in the country.

Charles Hoffinger '28

Profitable Telephone Reporting

By JAMES D. HAYS, Manager
Harrisburg Credit Exchange,
Harrisburg, Pa.

INSTEAD of a set article I have decided to give you a regime of some of my observations, as well as my own experience. First I would say that reports should be facts and not opinions. I have been in credit bureaus where I have heard reports being given to members in this manner: He is an architect and he is O. K. Such information means nothing to the progressive credit man.

Many times under these circumstances the manager of the bureau has complained about the cooperation of his members, and after such a visit I often wonder if the members should not complain about the bureau manager. I believe courteous treatment should be given to each and every member, for I have always contended that one harsh sentence will show that the credit bureau is not all that it should be—in other words, the credit reporters should be girls whose voices give off smiles.

Another bureau that I visited I saw laying on the desk of the credit reporter quite a few national coupons requesting reports from another. They were not being worked on by that particular girl believing it was much more important to send out a letter about a contemplated meeting rather than answering telephone inquiries. This is by no means profitable telephone reporting. This by no means is the medium through which to build profitable telephone reporting. To my mind, cheap service is no service. By this I mean that when you get below a certain level your service will only be in proportion to your receipts. The bureau man or his directors who are governing the credit bureau with one thought in mind, and that thought is not how good to make the service but how cheap they can get bureau service. It is a dangerous extreme and will in time intend to demoralize the entire community credit situation.

Just what do paying habits really consist of? I believe that the paying habit experience should be the classification of trade, the method of paying by days, the highest credit extended, and the balance outstanding, and, if an old account, the length of time that balance was outstanding.

If our credit bureau managers will follow this procedure on telephone reporting they will find that they will build for themselves and their credit bureau a

*Address delivered before
the Tri-State Regional
Conference*

profitable business. You of course realize that I am not talking to the large bureaus whose volume of business is antecedent reports, I am speaking particularly to those smaller bureaus who are having difficulty in being properly financed.

Just to give you an idea of my own experience, I will state that the Harrisburg Credit Exchange was organized with seven members in April 1922. From May first to December 1, 1922 we furnished 5,393 reports; for the year 1923, 20,881 reports. During this period of time our receipts were \$54,121.09; for the year 1924 we furnished 29,351 reports, receipts \$14,781.02; for 1925, 43,574 reports, receipts \$16,484.31; 1926, 48,158 reports, receipts \$19,541.12; 1927—in round figures—55,000 reports, receipts, \$25,454.80. This was all done by telephone reporting. Up until February first, 1928, we did not furnish our members with written reports, it was purely a reference-clearance bureau giving strictly the paying habits or ledger experience of their customers.

During the past year we realized that their volume of business was at such a point that we should make some change from our previous controlled flat rate basis to a metered basis. I went before the Board of Directors last July and asked them to give our President authority to appoint a Special Survey Committee of five men from the directorship. This was done and we immediately started in with evening meetings. At first they were given our ledgers and record of the receipts and disbursements to analyze. Later the entire Survey Committee along with the President and Manager spent an entire day in the Washington, D. C., Credit Bureau. After this visit our directors voted unanimously to install the turret telephone system, which I am pleased to say has been of the very greatest help to us. We were even able to handle during the last Christmas season as high as 1,023 calls in one day.

Later, the chairman of this Survey Committee and the manager visited the Pittsburgh Credit Bureau after which quite a few evening meetings were held of the Survey Committee. They made a recommendation to be carried to the Board of Directors that we change from our flat rate basis of operation to a metered



Men's Clothing Group Conference

General Chairman—MR. JUSTIN H. EDGERTON,
Credit Manager, James McCreery Company, New York

Chairman of Clothing Group—MR. L. R. PEARCE,
Credit Manager, Frankel Clothing Company, Des Moines, Iowa

The following Minutes of the above Group were taken from the National Retail Credit Association Convention in Providence, Rhode Island, August 1927.

1. Is it customary to insist that young men under age to whom the credit privilege is allowed, restrict themselves to the use on one account only?

On all accounts with minors the parents are consulted, as to whether or not the account is to be continuous or confined to the one purchase only and at the same time a limit is arrived upon. In cases where a guarantee is accepted for the purchases of a minor the account is restricted to the one purchase only.

2. Are professional recommendations on credit given any particular consideration? In instances of delinquency, in recommended accounts, what procedure is adopted as regards the party who recommended the account?

Personal recommendations are of no value whatever. This opinion is based upon a review of accounts previously charged off, in determining the original basis for credit. In cases of delinquency in rare instances the party recommending the account is written as to the condition of the purchaser's account.

3. Are any especial efforts extended to make collections from bankrupts?

Yes, and many settlements in full have been received following such procedure.

4. When customer is brought to office to apply for credit are salesmen permitted to remain while application is made?

Absolutely not.

5. Are guaranteed accounts encouraged? If so, are guarantees in writing always required?

Yes, guaranteed accounts are encouraged, and guarantees must always be in writing.

6. Are applications for credit accepted by phone?
No.

7. Are students considered good credit risks? In dealing with students what is the basis of arriving at a fair credit limit? Are guarantees from parents required?

Yes. Ability to pay. Yes, if not of age.

8. To what extent is the chain store a detriment to clothiers and haberdashers? Is the house-to-house out-of-town canvasser a contingency for reputable clothiers to contend with?

None. No.

9. In clothing stores is the straight salary or commission for salesmen more desirable?

Commission most desirable.

10. What is the average life of a clothing account?

No one had accurate knowledge.

11. In instances when both men and their wives carry separate charge accounts, to what extent does the delinquency of the wife affect the man's credit?

None.

12. What procedure is adopted in dealing with salesmen who deliver merchandise to their personal friends without credit department approval?

Salesmen are held responsible for merchandise released without an O. K. from the credit department and continued practice leads to their discharge.

13. Where reports from other merchants reflect that an applicant is slowing up and falling in arrears, should not other merchants cooperate by refusing to open charge accounts with such applicant?

Depends on efficiency of the credit man for the other company.

Is it being practiced?

To a certain extent, yes.

In declining an account is it wise to tell the customer directly of the derogatory information?

Very often the concern giving the derogatory information makes the request that the customer be told of the condition of their account. Otherwise no mention should be made of the confidential information received unless it is done with the permission of the company called.

14. Is it ever practicable to re-open an account that has been collected through the legal department or collection agency?

No.



Personal recommendations are of no value whatever.

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Men's Clothing Group Conference

(Continued from page 13)

If so, should the customer be obliged to pay attorney or collection fees?

Should be if the account is re-opened.

15. Is there any conceivable means of controlling credit limits? (This question was submitted by at least 75 different credit men from various sections of the country.) Yes.

Should a limit be decided upon definitely with every account at the time it is opened? Yes.

Is it not a fact that the failure to control limits on accounts is more often than not attributable to lack of efficiency in the credit department? Yes.

Is it not reasonable to presume that if in all instances limits on accounts were established at the time of application and the limit were confirmed by letter after the account had been approved, that the customer would accept it as a matter of course if her hand were called when the limit had been exceeded? Yes.

16. Should an account be suspended within several days after the first collection letter has failed to produce results? No.

When an account is suspended because of excessive limits, is the customer advised, and if so, in what manner or means?

Is written to see office, and reason explained to them.

17. Upon the presumption, as is the case in most instances, that the applicant for credit has nothing more than his salary income, with the exception of perhaps, equity in home or furniture, which may be being purchased on time, what should be the basis of amount of credit extended? Salary \$150.00, \$200.00, \$250.00, \$300.00, \$350.00, \$5,000.00?

Depends on ability to pay. Unable to place actual limit.

18. What is the logical method for the calculation of collection percentages? Account receivables first of month by collection, fol. 30 days.

Is it not proper for stores doing a customary credit business to eliminate the volume of C. O. D., installment, and "Pay-on" business before arriving at collection percentages? Certainly.

19. Except in unusual instances how many letters should comprise a complete follow-up system in the collection of an account? Four.

Would it not be an excellent service for the National Association to invite a hundred credit men from every section of the country to submit a complete series of letters for publication in book form? Yes.

Is it sound collection procedure to send out the same collection letters to all customers, regardless of social or financial standing, etc.? No.

20. In order that the collection manager may not necessarily refer to the ledgers in writing his collection letters, what means of supplying him with the necessary information for the intelligent writing of his letters may be adopted?

The bookkeepers for many concerns submit to the Credit Department a list of delinquent accounts and so divided to show the amount due and the actual length of time certain portions of the account have been permitted to run.

21. From an analysis of your ledgers, what percentage of your accounts are past due, (a) 30 days, (b) 60 days, (c) 90 days, (d) 120 days, (e) six months? According to reports from one store about 60% of accounts were thirty to sixty days old, the balance being made up of accounts ninety days and older.

According to general average what is the average period of delinquency? Sixty days.

22. Is there any contingent liability in submitting accounts to other agencies for collection? Yes. Your agent.

What are the inherent dangers in purchasing collection systems of comparatively irresponsible agencies, especially when such agencies employ the yellow "account for sale" sheet? Do not use them.

Also, does it not seem advisable that those collection agencies approved and directoried by the National Association should furnish the National Association with reasonable bond as protection to those clients who may be influenced by the directory in placing of their collections? Yes.

Is it not possible to induct a better and more responsible class of men into the collection agency business by the widening of the scope of collection agency activities? Yes.

For example, the addition of audit service, book-keeping service, replevin, repossession, and sequestration executions? Yes.

23. Does it seem practicable to charge interest on all delinquent accounts? No, only in cases of judgment.

24. What are the contractual rights of the married woman as far as opening accounts is concerned? O. K. for necessities.

Is it of any advantage to have signature of man and wife to application card? They are equally responsible. However, in some states the laws differ, and both signatures are necessary when law so provides.

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Dewey W. George, of Knoxville

By Lee Davis
Knoxville News Sentinel

When Dewey George, 30-year-old secretary-treasurer of Knoxville Retail Credit Men, was elected president of Southern Retail Credit Managers at the Southern States Convention recently, probably the most active young man in Credit Bureau work in the South had been selected.

Several members of this bureau which Dewey now heads boast more years of credit service than Dewey's years of age.

Secretary George has just finished his tenth year with the Knoxville Association. In that period his talks on Retail Co-operation and Co-ordination have benefitted not only the Knoxville merchants, but have been put to practice in a dozen other cities, both in and out of Tennessee where he has aided in the organization of Credit Reporting Bureaus.

Dewey is also an untiring supporter of the National Association, now acting as state chairman of the National Service Department. Nor does his versatile activity stop with his credit duties.

Dewey, himself, cites a familiar nursery rhyme to illustrate the attitude that a city's credit establishments should not have. That rhyme also expresses the attitude that Secretary George, personally, has worked farther away from:

"When I'm alone and quite alone,
I play a game that is all my own;
I hide myself behind myself,
And then I try to find myself.
I hide in the closet where no one
can see,
And then I start looking around
for me."

"A town or city," says Dewey, "is like that when it refuses to organize for mutual benefit; a city is like that which has a credit bureau and will not affiliate with the National Association. A man cannot live by and to himself in this day, and the sooner we find out the position we



DEWEY W. GEORGE

play best in the game, and try our best to fill it, the better off we'll be."

Does Secretary George practice what he preaches?

Well, here's how he "lives by and to himself": Besides his exacting duties, he is a director in a local financing company; chairman of the loan board of a local bank; chairman of Knox County Central High School Athletic Council; editor of the Lions' Tongue, a clever weekly publication of the local Lions Club, and likewise connected with several other organizations and movements.

Five minutes' conversation in Dewey's office will convince you of the invaluable aid these varied contacts lend to his regular credit work.

The Knoxville Association has just started an Advertising Campaign to acquaint the public with just what they can expect from the merchant and the Association.

"This bids fair to be the Knoxville Association's most active year in the organization's history," Secretary George said—and doubtless it will be, since the prediction comes from him.

Government Credit Survey Gets Under Way

The Department of Commerce has started work on the National survey of Retail Credit Methods.

A committee from the N. R. C. A. met with Doctor Julius Klein, Director of the Bureau of Foreign and Domestic Commerce, and Doctor Frank M. Surface, who will have charge of the survey, and outlined plans for securing authentic information from all lines of retail business.

The Committee of the N. R. C. A. are as follows:

James R. Hewitt, Chairman,
The Hub,
Baltimore, Md.

Frank Batty,
H. Liebes & Company,
San Francisco, Calif.

Milton J. Solon,
The Dayton Company,
Minneapolis, Minn.

Olin H. Berry,
J. S. Hall's Sons,
Knoxville, Tenn.

George A. Lawo,
John Gerber Company,
Memphis, Tenn.

Stephen H. Talkes,
Associated Retail Credit Men,
Washington, D. C.

E. B. Schick,
Crowley Milner Company,
Detroit, Mich.

Giles C. Driver,
The May Company,
Cleveland, Ohio.

H. C. Sparks,
Cincinnati Morris Plan Bank,
Cincinnati, Ohio.

Mark Lansburgh,
Lansburgh & Bro.,
Washington, D. C.

J. H. Edgerton,
James McCreery & Company,
New York, N. Y.

Will You Answer the Call of your President?

President L. L. Meyer is calling upon each member to send in at least one new member before May 15.



He is in dead earnest when he sets 5,000 as a minimum number in answer to his appeal.

Let's surprise him with 10,000 and show we appreciate his hard work, his sacrifice of personal time and vacation, his working fifteen hours a day in the interest of our Association.

We now have 15,937 members. Let's go to Kansas City Convention with 25,000.

It is easy if everyone does his part. Give one hour in the year to your Association. Get a new member—Be a builder.

*Don't hold memberships. Send in as secured.
A careful record will be kept and the early
arrivals will encourage us.*

David J. Woodlock, Manager-Treasurer.

NATIONAL RETAIL CREDIT ASSOCIATION

Equitable Bldg., St. Louis.

*Look at the picture of President L. L. Meyer.
He is a very serious fellow.*



The only way to make him smile is an avalanche of new members—the more members the broader the smile. Make him greet you in Kansas City with a smile from ear to ear.

To make this membership campaign more interesting the following prizes will be awarded for special work:

THE PRESIDENT'S AWARD

\$200.00 in cash to the State Chairman whose state produces the greatest number of new memberships in the "Campaign for 5,000."

FIRST VICE PRESIDENT'S AWARD

\$100.00 in cash to the State Chairman whose state produces the second greatest number of new memberships in the "Campaign for 5,000."

SECOND VICE PRESIDENT'S AWARD

\$150.00 in cash to the Local Chairman whose city produces the greatest number of new memberships in the "Campaign for 5,000."

MANAGER-TREASURER'S AWARD

\$75.00 in cash to the Local Chairman whose city produces the second greatest number of new memberships in the "Campaign for 5,000."

SECRETARY'S AWARD

\$150.00 in cash to the individual who produces the greatest number of new memberships in the "Campaign for 5,000." (Neither local chairmen nor state chairmen eligible for this prize.)

SERVICE DEPARTMENT CHAIRMAN'S AWARD

\$100.00 in cash to the individual who produces the second greatest number of new memberships in the "Campaign for 5,000." (Neither local chairmen nor state chairmen eligible for this prize.)

DIRECTOR'S AWARD

\$75.00 in cash to the individual who produces the third greatest number of new memberships in the "Campaign for 5,000." (Neither local chairmen nor state chairmen eligible for this prize.)

CONVENTION CITY AWARD

\$50.00 in cash to the individual who produces the fourth greatest number of new memberships in the "Campaign for 5,000." (Neither local chairmen nor state chairmen eligible for this prize.)

GOOD WILL AWARD

\$100.00 in cash to the Bureau Manager whose efforts in this "Campaign for 5,000" impress the Award Committee most favorably, regardless of number of new memberships secured. The award will be based upon evidence of effort as filed by the various contenders for this prize, with Mr. Stephen H. Talkes, Chairman, Service Department Committee, 404 Commerce & Savings Bldg., Washington, D. C. This prize is not open to the winner of any of the other awards.

CONSOLATION PRIZE

\$50.00 in cash to be awarded in a drawing to be held during the Convention at Kansas City. Any person who produces as many as ten new members in the "Campaign for 5,000" will be eligible for this prize. Should any person entitled to participate in the drawing be absent from the Convention he will none the less be represented by an alternate, and the prize, if won by an absentee, will be duly forwarded to the winner. No person who has won any one of the major prizes shall be eligible to draw for the Consolation Prize.

Flashes

From the National Office

FLORIDA STATE CONFERENCE

April 23-24

The first National Conference in Florida will be held April 23 and 24, at the Angebilt Hotel, Orlando, and promises to be one of the best of the year.

A two-day educational program with a banquet on the evening of April 23 has been arranged. Every angle of credit granting will be discussed and group meetings will be held during luncheon.

National Secretary Guy Hulse will deliver an address on "The Six Vital Points in Retail Merchandising," and also speak at the banquet.

A special feature of the program is Collections.

The arrangements for the Conference and program were handled by F. B. Duryea of St. Petersburg and C. P. Younts of Miami.

WILL YOU GIVE ONE HOUR TO YOUR ASSOCIATION?

Analyzing the number of prospective members for the National and knowing the intelligence and ability of our present members, we believe if each would seriously donate just one hour to his Association in an effort to sell a membership to some retailer outside our fold we could double our National membership over night.

Is it too much to ask? President Leop. L. Meyer of Houston, who is making a special appeal for membership work as a closing feature of his administration, has without reward other than that of satisfaction in duty well done, given one thousand two hundred hours to National Association affairs since his election last August. His personal time if based upon his earning capacity, is worth many thousand dollars.

If Mr. Meyer, who is a busy man with a very important job, can do

this because of his love for our organization and his belief in its principles, can't each of us give one hour to soliciting a prospect we know?

Think it over, do your part, and answer Mr. Meyer's appeal with at least one new member.

D. J. W.

SOUTHERN CONFERENCE GREAT SUCCESS

The fourth annual Conference of Credit Managers of the Southern States was held in Memphis, March 19-20, 1928.

Over three hundred attended, representing retailers in nine states and every detail for their comfort and pleasure was carefully arranged by the Associated Retail Credit Managers of Memphis, under the leadership of W. R. Kendall, president. Six National officers were present:

Leop. L. Meyer, Houston, National President.

D. J. Woodlock, St. Louis, National Manager-Treasurer.

Stephen Talkes, Washington, National Director in charge of Service Department.

Alf. Goldschmid, Memphis, National Director.

Leo Karpeles, Birmingham, National Director.

Geo. A. Lawo, Memphis, Past National President and Chairman Finance Committee.

Mr. A. M. Stewart of Memphis, who was President of the Southern Conference, proved an exceptionally efficient executive officer and a full program of real value moved on time during the two days. Not a hitch, not a break, not a missing speaker.

A banquet on Monday night was attended by six hundred. The speakers were limited to National President Meyer and Manager-Treasurer Woodlock in order to enjoy an entertainment and dance.

The Managers of Credit Bureaus present, numbering twenty, held a noon day group meeting Monday as guests of M. G. Lieberman of Memphis and a full session Tuesday afternoon, at which Mr. Dewey George of Knoxville was elected Chairman of the Service Group to succeed L. S. Gilbert of Atlanta.

The conference elected Mr. G. W. Wallace, vice-president of Tom Snow Heating Co., of Chattanooga, as President; Paul Vaughan of Birmingham as Vice-President, and J. Morgan Bright as Secretary.

Chattanooga was selected as the next meeting place. New Orleans; Jackson, Miss., and Montgomery, Ala., served notice they wanted the meeting in 1930.

Nashville, Tenn., had a large delegation boosting for the National Convention in 1929, and the Conference went on record in favor of that city.

A call upon the Government to speedily take steps to prevent a recurrence of the Mississippi River flood of last year was one of the closing acts of the Conference.

Cities with delegations of ten or more delegates were New Orleans, La.; Birmingham, Ala.; Knoxville, Chattanooga and Nashville, Tenn.

SANDERS AT JEWELERS CONVENTION

Mr. A. B. Sanders, Assistant to Manager-Treasurer Woodlock at the National office of the N. R. C. A., addressed the Convention of the National Association of Retail Credit Jewelers in Chicago, March 20. Over one thousand were present and for almost one hour Sanders told these men how to reduce their losses by affiliation with the local Credit Bureau and our National Association.

Turn to page 19, please

Flashes

(Continued from page 18)

That our jeweler friends are interested is evidenced by the number of letters addressed to the National office, commenting upon the clear and forceful measure in which Mr. Sanders presented his argument.

KRUSE SPEAKS AT MIAMI

Mr. A. J. Kruse, Manager of the Associated Retail Credit Bureau of St. Louis, and a recognized authority in Credit Bureau work and practices, addressed the Southern States Conference of the N. R. C. A. at Memphis on March 20. His subject, "The Sign of the Times," gave this very capable and interesting speaker a chance to bring to the attention of those present a need of educative and cooperative effort to meet changing retail conditions.

SOUTHERN STATES BACK PRESIDENT MEYER

At the Southern States Conference in Memphis, March 19-20, it was unanimously voted that each Credit Manager present personally back President Meyer for five thousand new members for the National before May 15. There can be no doubt but the South will fill their quota.

AN INTERESTING LAW

The following is reprinted from the Okmulgee, Oklahoma, Service Bulletin to its members, and it contains some information which will not only be of interest to those in Oklahoma, but will be well for the credit men in other states to investigate the laws of their state in regard to the subject contained in this article:

Several times in this column we have mentioned the out-of-town collection firm. Knowing the practices of some of these outfits, we called certain facts to your attention, since several of our members had rather disastrous experiences with them regarding settlements.

However, there are other features regarding such firms that constitute a real menace. These firms take your accounts and try and handle them against people located in your own community. *The statutes of the state of Oklahoma provide that where accounts are handled by a firm of collectors located outside the state, against people located in your own community, and any action of garnishment, attachment, or threat of any such action made against such debtor, the creditor is subject to a fine of not less than \$500.00, nor more than \$1,000.00.* In almost every case where accounts are handled by some out-of-town concern, this actually happens, and should the action ever come up or suit instituted, you would be the defendant and it might prove very costly. This mat-

ter is merely called to your attention for your possible future protection.

OAKLAND, CALIFORNIA, INTERVIEWS HARD APPLICANT

"Next." "Who, me?" "Born?" "Yes, sir." "Where?" "Russia." "What part?" "All of me." "Why did you leave Russia?" "I couldn't bring it with me." "Where were your forefathers born?" "I got only one father?" "Your business?" "Rotten." "Where is Washington?" "He's dead." "I mean the capital of the United States." "They loaned it all to Europe." "Now, do you promise to support the constitution?" "Me? How can I? I've got a wife and six children to support."—Oakland Bulletin.

DO YOU ENCLOSE ADDRESS-ED ENVELOPES WITH YOUR STATEMENTS?

Mr. E. F. Horner, Credit Manager of Kline's in St. Louis, and President of the St. Louis Credit Men's Association, answered the above question from his experience.

"Sometimes it seems to us that we do things from force of habit, or just because someone else did or without any real reason or motive. For instance, the matter of enclosing return envelopes with statements.

"A number of stores have for many years enclosed return envelopes with their statements, whether this was intended only for the convenience of the customer or with the thought that it may assist collections is a question in my mind.

Out of perhaps more or less curiosity as well as to secure some idea as to what percentage avail themselves of this custom, sometime ago we marked our return envelopes enclosed in statements on the left hand corner with the letter X, counting these envelopes as they came in each day. This was carried out for three months with the

Turn to page 28, please

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Legal Problems of Finance Companies

By JOHN W. CREEKMUR

I HAVE been asked to give you a summary of the legal developments of the last year so far as they relate to finance companies.

At your last annual meeting I mentioned two important cases then pending before the U. S. Supreme Court. Those cases were holdovers, those identical cases had been before the U. S. Supreme Court in October, 1925. There was not much money involved in the particular cases. The Supreme Court, therefore, saw fit for that reason or some other to put the cases on the summary docket.

A summary docket is a short argument docket. A litigant whose case is on the summary docket is allotted thirty minutes to make a presentation of the law and make his argument thereon. So, in 1925 the attorneys representing the litigants were limited in those cases when consolidated to a half hour. When the court got at it they fought over it all year, and reset the cases for October of last year, allotting full time for argument.

Within six weeks after that argument they handed down two opinions, one in the so-called Garth case which arose in Birmingham, and the other the Port Gardner case, arising at Port Gardner, Washington.

The Garth Motor Company case was reversed and remanded for new trial without anything having been determined either helpful or hurtful. I admit that there was some unfortunate dictum contained in this opinion. On the same date, however, the opinion in the Port Gardner Investment Company case was handed down, and in that there is much that is helpful.

The Port Gardner Investment Company case did not go to the Supreme Court by way of appeal or writ of error. It was sent to the U. S. Supreme Court by the Circuit Court of Appeals of the 9th circuit, with a request that the U. S. Supreme Court determine and settle certain questions of law. One of these questions was answered in a way most helpful to the finance companies.

The question propounded was Question No. 5, which runs as follows: Did the prosecution of the driver of the car under the National Prohibition Act constitute an election by the government to proceed under Section 26 of the Act and thereby prevent the forfeiture of the car under Section 3450 of the revised statutes of the United States?

In that case the driver of the car had been prosecuted under the National Prohibition Act and con-

An address before the Fourth Annual Meeting of the National Association of Finance Companies.

victed under the Act. The U. S. Supreme Court answered the question as follows: "The disposition of the automobile prescribed in Section 25 became mandatory after

Nudahl had been convicted"—(he was the driver of the car)—"and being inconsistent with the dispositions under Section 3450 precluded resort to proceedings under the latter section. Construing the fifth question as referred to by the prosecution with effect, we answer the question in the affirmative."

You will observe that the U. S. Supreme Court in this case specifically limited the scope of its opinion to a conviction of the driver of the car, and held that when the driver of the car had been convicted, then it became necessary, mandatory, that the car be forfeited, if at all, under the provisions of the National Prohibition Act, Section 26 of which provides for the protection of innocent lienors' rights.

This answer had the approval of all of the members of the court, but certain of the judges of that court thought it should go farther and Mr. Justice Butler in a dissenting opinion—dissenting merely because the answer of the court had been so limited—said, "The answer is enough to guide the Circuit Court of Appeals in this case, but it leaves open the question not decided in the former case." That was Gardner Motor Company case.

"The substance of that question is whether the prohibition officers discovering one in the act of transporting liquor may disregard the plain and direct commands of Section 26 to proceed against the vehicle as there directed. I think he had no more right to ignore the command than he had to let the liquor and the offender go. The law makes the election." That position, taken by Mr. Justice Butler, is the position that the attorneys representing the finance companies have sought to have the court take.

Section 26 of the National Prohibition Act contains the following provisions, and I will ask you to permit me to read it. I am not reading all of what is said there. I am omitting certain parenthetical clauses which do not, however, alter the meaning of the paragraphs I read.

"When any officer of the law shall discover any person in the act of transporting in violation of the law, intoxicating liquors in any automobile, he shall take possession of the automobile and shall arrest any person in charge thereof. Such officer shall proceed at once against the person arrested, under the provis-

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Legal Problems of Finance Companies

(Continued from page 20)

ions of this title, in any court having competent jurisdiction and the court upon conviction of the person so arrested shall order a sale at public auction of the property seized, and the officer making the sale shall pay all liens according to their priority which are established by intervention or otherwise."

Now, it will be observed that the provisions of Section 26 just quoted are specific and mandatory. When any officer discovers a person in the act of transporting intoxicating liquors in violation of the law he shall take possession of the automobile, arrest any person in charge thereof, and shall at once proceed against the person arrested under the provisions of Section 26 of the National Prohibition Act. The court upon conviction of the person arrested shall order a sale of the property seized at public auction,—that is the automobile. It does not apply to the liquor seized, for that is to be destroyed in conformity with other provisions of the Act. The officer making the sale, after deducting the expense of keeping the property, the fee of the seizure and cost of sale, shall pay all liens according to their priority, which shall be established by intervention or otherwise.

Prior to the handing down of this decision, the practice of proceeding against the driver of the car under the provisions of the National Prohibition Act and then attempting to confiscate the car under the obsolete provisions of Section 3450 of the Internal Revenue Act had become quite common.

It is my opinion that since the handing of these opinions by the Supreme Court that practice has greatly lessened and we have had some very important and favorable opinions from the U. S. Circuit Court of Appeals that have greatly strengthened our position.

During the year just passed the Commercial Credit Company had a case which came before the Circuit Court of Appeals of the second circuit, that is the New York circuit, where the identical question suggested by Mr. Justice Butler in his dissenting opinion was presented to the court and that court in a very learned and well digested opinion went the full route and said, "Yes," with Mr. Justice Butler. Unfortunately, however, the same question did not receive the same answer in the Circuit Court for the 9th district, that is the Pacific Coast circuit.

The Commercial Credit Company presented another case there, but the opinion of that court was no more helpful than the opinion handed down by the U. S. Supreme Court; but, the Commercial Credit Company secured a writ of error and that matter is standing be argued on next Monday, the twenty-first day of November, 1927.

I hope, of course, that the U. S. Supreme Court will follow the suggestions of the Court of Appeals of the Second Circuit. It must be one of two things. It seems to me that Mr. Justice Butler was right, or that he was wrong in his construction of Section 26. In any event, the opinion that will be handed down in this case will be of great importance to finance companies.

When we met a year ago there was some discussion of the laws of certain states which provide for the forfeiture of cars illegally transporting intoxicating liquors. Some of these statutes contained no provision for protection of innocent lienors' rights. The state of Kansas had and now has a law of that kind. The state of Nebraska had a similar statute. Most of the statutes of the various states, however, run along the general line of the provisions of the National Prohibition Act, where they have it, and do contain provisions for the protection of innocent lienors' rights.

I had a case a year ago before the U. S. Supreme Court which had been taken up by the state of Kansas for a client. We had replevined a car from the Sheriff of Lyon County, Kansas. The U. S. District Court ruled with us, and the state of Kansas appealed; that case was pending before the U. S. Supreme Court at the time of our last meeting. We since have got the car, but that was because of an error of the state in taking its appeal. The important question in all of these cases was whether the state can forfeit the innocent lienor's rights in a car for illegal transportation of liquor, when those rights are specifically protected by Federal Statute?

Early in November, 1926, the U. S. Supreme Court handed down an opinion that answered this question in the affirmative. I refer to the Herbst case.

The state of Louisiana has a statute providing for penalties for the violation of its own act which is patterned after the National Prohibition Act. It contains somewhat different penalties than those of the National Prohibition Act. Herbst was found guilty of operating a distillery against both the provisions of the National Prohibition Act and the provisions of the

state act. He was indicted by the Federal Grand Jury for the violation of the National Prohibition Act and by the local grand jury for violation of the state act. His prosecution was carried through more promptly in the state court and he was sentenced to the penitentiary for violation of the state act. Now, it was the same act committed by him in both cases. He did not commit two different acts. He committed

Profitable Telephone Reporting

(Continued from page 12)

basis as of February 1, 1928. The change received the approval of the Board of Directors, and at this time we have filed 296 members to the new contracts out of a net membership of 325, and it has only been necessary to make personal calls on approximately 15 people. Nearly all of this reorganization was effected through the mails. We have experienced no serious difficulty—we have not lost a single heavy user. The only membership that we did lose were grocery men and professional men, but in each case we have had new members assigned for service to take care of any resignations.

You might be interested in knowing how our members maintained their requests for reports under the new basis of operation. I will state for your information that our receipts on reporting alone up to and including February 24 is \$882.76 and we of course have \$15 annually for our present 294 contracts that goes towards defraying the cost of operation and our weekly bulletin. This gives us approximately \$1,252.76 for this month, and we still have four working days to be added to this total. Our total receipts from reporting have never dropped below \$30., and have been as high as \$66. per day.

With this information I am convinced that any Bureau can make such a change if they have been rendering an honest service to their members, trying to give them all that it was possible to give for the money, not to see how little they could give them. Our slogan appearing on our bulletin every week to our members is Call first—Charge Afterwards—It Pays. And I believe this slogan is being lived up to to a greater extent than many other bureaus which I have visited.

In this credit bureau work there is great need for active, live executives, men who are willing to work and progress, men who have that quality of give and take, and above all he must have a personality that attracts friends, rather than detracts from his bureau.

Ladies and gentlemen, I thank you for the privilege of talking at this conference, and I will be glad to answer any questions that you may have.

**Have You Sent in
Your Reservation to the
National Convention
in Kansas City?**

Common Sense in Collections

(Continued from page 6)

is received it should be followed (the elapsing interval to be determined by policy) by a mild, courteous letter. If this also secures no reply a second letter referring to the first, and requesting advice as to whether there is any error in the account or other reason for not paying, will be found to secure excellent results. If there is a mistake in the account, or a complaint about the quality of merchandise, of which the Credit Office has not been advised, such a letter will avoid antagonizing the customer and will frequently secure the promise of payment or an explanation for the delay.

When a response is received it is advisable to acknowledge it, and where reasonable additional extension is asked, it should be granted in such a manner as to impress on the customer that it is an accommodation you are glad to extend him—but that it does not affect your usual terms; which if deemed necessary may be expressed. When a promise is not kept, it should always be brought to the customer's attention within not longer than a few days after the specified date * * * Failure to do this will indicate a lack of attention which some people will be quick to notice and take advantage of. More than *two form letters* are in most instances inadvisable * * * as it is important that the reason for the delinquency and failure to respond to previous reminders be understood in order that the proper method of handling the account can be determined. When a person is ill the doctor can determine the nature of treatment only by a diagnosis based on the symptoms and when an account becomes "ill" it is necessary also to make a diagnosis based on the existing conditions, as far as it is possible to ascertain, so that the proper treatment may be given. At this point the telephone becomes an aid of almost inestimable value and if the approach is made in a tactful manner, a telephone call in a good many instances will secure a promise of some sort, or a more or less satisfactory explanation for the failure to make prompt payment. It is possible in any event, after telephone conversation, to form a fairly definite opinion as to the attitude of the delinquent which will be a guide, not only in the handling of the current overdue account but in determining the status of the account in relation to subsequent purchases. * * * Most customers are honest by nature—and *careless* by habit, and it is advisable to discourage this habit by corrective collection methods. In the majority of cases, knowledge of credit and credit machinery is elemental. People in this class wonder—"Why are they in such a hurry?" "Why are they always writing dunning letters?" "Don't they know their money is good?" and so on and on and on.

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Crassus of Ancient Rome

(Continued from page 5)

man, does not seem to justify the space and energy consumed by the combative argument as it is only a matter of a few hundred thousand dollars here and there, which is a mere bagatel in the instalment business. The tables of all the surveys are of great interest to those who wish to know the amount of instalment sales in each particular industry, so far as records are available.

With rapid strides, the author takes us through chapters dealing with:

Instalment Credit as a Part of Consumption Credit. Instalment Credit as a Stage in the Evolution of Credit. What is Capital? The Nature of Production. The Nature of Consumption. Productive and Unproductive Consumption. Clothing and Furniture. Jewelry and Hardware. Differences in Commodities. Differences in Conditions. Repossessions. Luxuries and Necessities (the older view and the newer attitude,—a most interesting discussion). Is the Automobile destructive or Wasteful? Is it Productive of Wealth? Is it a Luxury? Effect of Instalment Selling on the Consumer. Effect on Credit Structure. Credit Risk. Instalment Credit and the Banks. Business Depressions.

WEARING 'EM OUT

A dominant note running through the work is Mr. Seligman's contention that the purchasing of durable merchandise on the instalment plan does not hypothecate the future. He maintains that the purchaser is buying and paying now for a future service whether it be in the nature of transportation or utility derived from acquiring more durable goods. Clothing and similar ephemeral merchandise, with the possible exception of furs, naturally fall without the pale of this classification.

For example, he cited the purchase of an automobile with a down payment of one third and the balance in twelve monthly instalments. The car is paid for long before its estimated life of five to seven years is exhausted. The purchaser thus in one year pays for transportation or utility for five or seven years in advance. In so doing he increases his earning power, increases his purchasing capacity, raises his standard of living and perhaps changes his entire outlook on life. The same is true in buying a piano which may last for a generation, or in acquiring furniture which may be used for several generations and continue to increase in value.

Many tables of statistics are given, but there are none showing the number or percentage of persons who use an automobile for five to seven years. Mr. Seligman probably allowed his enthusiasm to run a little riot on this point.

THOSE WEDDING PANTS

We once knew a man who boasted that he had worn the same pair of pants for seventeen years. Of course, he hadn't worn them every day. They were his wedding pants and seventeen years later he slapped his hand on his knee and announced they were as good as ever. His greatest ambition was to find another pair just like them. By the same reasoning, we could conclude that a good pair of pants will out-last any automobile, with the possible exception of a Rolls Royce. They will give more mileage and wear out more suspenders, front or rear, than any car of American make will wear out tires. And for that reason, when a man buys a pair of pants on the instalment plan, he is making an investment that will result in good and faithful service for years and years to come. Of course the big joker in this inductive reasoning is the number of men who wear a pair of trousers for that length of time. And even if they were reconditioned and sold to a second or third purchaser, after three or four years, it must be admitted that they would suffer great depreciation in actual value even

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ALL MISSOURI PACIFIC LINES

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MEETING, JUNE 19, 1928

Fast superior service from the North, South, East and West.

Connections at terminals with fast thru trains. For the best in travel comfort be sure your ticket reads via Missouri Pacific Lines.

For information consult nearest Missouri Pacific representative, or write -

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Railway Exchange Bldg.

St. Louis, Mo.



"A Service Institution"

Crassus of Ancient Rome

(Continued from page 23)

though capable of rendering good practical service against the elements for a long additional period of time.

THE AMERICAN GODDESS

But, after all, we actually wear out very little merchandise in America. Style is the great goddess before whom we all bow down. Manufacturers and others whisper strange whims in her ear and she demands that we sacrifice on her altar the little-worn or half-worn possessions that once were our pride and joy. And after the sacrifice is made, and the pinch-back or the brown derby laid away with the other relics of the past, who can say that we do not look better and feel better in the new regalia. If there is any doubt about it, get out the family album or even a snap shot of five years ago and have a look. When it comes to enumerating discarded wearing apparel of women, we draw the curtain. One great consolation, we are told, is the obvious fact that there is becoming less and less of it each year to go into the discard. Style may some day thus awaken to the sad realization that she has finally worked herself out of a job.

All this is as it should be. Whether it be automobile or clothing, no one could compute the changes in industry, probably for the worse, that would take place if every piece of merchandise were used to its fullest utility. The effect on a basic industry like cotton production and fabrication would, no doubt, be appalling.

FINANCE TENDS TO UNIFORMITY

If anyone is inclined to think that Mr. Seligman is prejudiced in his analysis, he need only to read the chapter on Finance Companies, to realize that a spade is called a spade. He condemns the early practice of many companies in concealing the true interest rate by quoting a blanket finance charge to cover the carrying charge, insurance, and coverage of all kinds. The rates of one Finance Company are 5% for a 4 months contract, 6½% for 6 months, 8% for 8 months, 9½% for 10 months and 11% for 12 months. The author gives this formula for figuring the actual interest return at these rates and shows that the 12 month contract at 11% resulted in an interest cost of 20.35 per cent to the purchaser. The charge of the same company for financing used cars, cost the purchaser 27.9 per cent. Another company's charge is 38.15 per cent!

These Shylock-like rates are found not alone in automobile financing, according to Mr. Seligman, who points out that the net resultant charge of a sewing machine company, for instalment credit is 48 per cent. And a publishing company charges its patrons the neat figure of 84 per cent for the privilege of its easy payment plan.

WHAT MAKES THE WIND BLOW

Of course, there is the usual table of "Years," "Number of Banks," "Number of Depositors," "Amount of Deposits." The author states that the figures of savings bank deposits are often cited as proof of the beneficial effect of instalment credit. He does not say so, but he mentions that others often say so. A little further along he states that the only thing we know about it is that instalment credit and prosperity have increased together. The situation does not shed any light as to which is cause and which is effect.

We all know the story of the two amateur philosophers who were arguing as to what caused the wind to blow. One emphatically announced that the shaking of the trees made the wind blow. As proof of his deduction, he called attention to the indisputable fact that the two phenomena always occurred at the same time.

Before the days when an alleged minority took it upon themselves to make the great majority lead pure and simple lives, we used often to read newspaper accounts of how a hardy old wight lived to the age of 106 and chewed tobacco and drank strong corn whiskey all his life. The advocates of the simple life always met this argument by the casual remark that if he had not used tobacco or imbibed vile whiskey he might have lived to a really ripe old age.

Like Professor Seligman, we do not know what has caused the tremendous increase in savings bank deposits during the past few years, other than our general prosperity. Without instalment selling thrown in, bank deposits might have reached a really respectable amount instead of the lowly 9 billion, 65 million, and some odd thousands, of dollars, distributed among 14 million, 640 thousand depositors for the year 1925.

GOOD GUESSING

In the early part of his book, the author frankly states that there is a regrettable lack of definite statistics on many important points. Where figures were available they were obtained and where it was not possible to obtain them, it was necessary to proceed by a process of inductive reasoning or plain ordinary guessing. Others who previously made surveys encountered the same difficulty and proceeded as best they could from figures obtained from manufacturers rather than from the sales records of the retail trade. When it comes to guessing or inductive reasoning, we are willing to believe that Professor Seligman is as good as any of them and better than most.

The romance of the automobile is a part of American history that everyone should know and fully appreciate. It has changed the entire out-look on life for millions of people. It has broken down the barrier between rural and metropolitan life and made for a

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Men's Clothing Group Conference

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Is it proper and necessary that a husband be notified when the wife makes application for credit? The opinion is Yes.

Can a married woman ever be held liable for her husbands' debts? Yes, where law allows.

Can a married woman who runs a business separate and apart from her husband be legally held for her business debts? Yes.

Has any one a copy of a recent court decision from Rochester, N. Y., to the effect that the husband is not liable for a retail account unless his approval is secured at the time it is opened? No report on hand. Husband is responsible for necessities.

25. Has any state in the Union a law requiring the husband to assume responsibility for accounts contracted by his wife prior to marriage?

No.

26. What is a fair amount, convenient to the customer and protective to the house, to require as initial payment on "Will calls" or "Pay-ons"?

Enough to protect profit.

In instances in which payment on will calls are not made promptly, is the house justified after one notice to customer in returning merchandise to stock and refusing to refund initial payment? Yes.

Would an agreement rubber-stamped on customer's copy of sales ticket, as per below, be construed as a contract?

"With the purchase of this article it is understood that the balance will be paid in 20 days or regular payments proportional to the balance due on the purchase shall be made at periods of not more than two weeks apart, and that should 20 days elapse between payments the merchandise shall be returned to stock and payments previously made shall be forfeited."

Yes, but all merchants here refund on request in order to protect their good will with patrons.

27. Is it advisable to transfer overdue accounts to a suspense ledger at convenient times during the year and to charge into P. & L. from the suspense ledger? Yes.

Is there any danger in the system? No.

What are the advantages in the system? Grouping of slow accounts, which means time saved.

For statistical and research purposes would it not be advisable for the National Retail Credit

Association to approve some method of listing and reporting to Bureaus records of suspense and P. & L. accounts? Yes.

28. Should the Credit Department busy itself with the building up of new business? Yes.

If so, what method of procedure is commonly practiced? Direct mail.

If not, why not? Is the solicitation of charge accounts sound credit department procedure? Yes, to qualified people.

Is it not an infringement upon credit ethics to solicit accounts? No.

Is the solicitation of charge accounts through the newspapers ever practiced? Yes.

If so, with what results? Not a success.

29. Is it practicable to permit floormen to O. K. checks or charges without reference to Credit Department? Checks, yes. Charges, no.

If so, what should be the limit of their author-

ity? Store policy.

If not, why not? What is the customary procedure for the disciplining of salespeople and floorwalkers who unauthoritatively deliver charge purchases unfavorable to the Credit Department? Held responsible.

Does it pay to require identification on small purchases? No.

Does it pay to require identification on small "take-with" charges? No—on sales days especially.

30. Are individual bankruptcies becoming a serious contingency in retail credits? Yes.

If so, what methods are being adopted to curb them? Legal department of local association.

31. Is it a general practice to require delivery receipts? Yes.

32. Is it the general opinion that "Pay Your Bills Promptly" Campaigns are profitable? Yes.

Is it the general opinion that Pay Your Bills advertising consistently employed throughout the year is profitable? No.

33. Has any one representing a large institution every classified account losses according to occupation? No.



Are "Pay Your Bills Promptly" Campaigns profitable?

Men's Clothing Group Conference

(Continued from page 25)

If so, would such house agree to forward copy of such analysis to the Secretary of the N. R. C. A. for publication in the CREDIT WORLD?

Can such a classification as the one referred to materially affect credit granting? Yes.

34. What is a good method of recording and insuring protection both as regards customer and the firm on signature accounts?

Signature on application—signed tickets—code used by Chadwick of Kansas City, Mo., is date of birthday along with signature.

35. Is it not a fact that the ratio of charge sales to total sales is constantly increasing even with the 30 day charge account house? Yes.

36. Is it a generally recognized fact that credit managers are underpaid. Some credit managers are under the impression that this is the result of the narrow scope of the credit man's duties, especially in larger institutions in which the divisional credit manager system is employed. What recommendations could be made to generally elevate the credit man's executive rating by the combination of credit management with other duties? Is it practicable to give bonuses to credit men? Yes.

If so, what should be the basis of figuring that bonus? Bonus can be based by past experience on basis of turnover and recovery with consideration given to net loss.

On the question of a credit man elevating his position, he is naturally trained in the financial end of his institution and his aim should be the position of treasurer. Other secretarial duties of course will develop as he assumes new responsibilities.

37. Is it a merchandising possibility for houses doing a customary charge business to sell the same or comparative line of goods as cheaply as houses doing a strictly cash or customary charge business? Yes.

If so, how? Increased volume.

If not, is it not a natural deduction that the cost of living is being raised by proportionate increase in costs of doing business? No.

38. It is a generally understood fact that the sale of perishables on the installment plan was begun by firms which were not able to compete on the customary cash or 30 day charge basis. Such firms naturally anticipated succeeding through the selling of terms rather than of merchandise, which is a false theory of business. Therefore, is it not fair to presume that any proposition based upon an illogical hypothesis cannot be reduced to a logical conclusion? House policy strictly.

39. What explanation can be given for the conflict in the two theories: quick turnover of merchandise and slow turnover in accounts? What explanation can be given for the conflict between the banking theory of quick turnover in accounts, and the installment theory of slow turnover in accounts? All covered by mark-up.

40. What is the effect of the purchase of automobiles and homes on clothing store collections? Has an effect to hold up collections.

Are collection percentages declining generally? No, due to the increased efficiency of credit men.

41. What procedure should be adopted in refusing customer further credit in instances in which the credit manager feels that the customer is over-buying, despite the fact that installment payments on contracts previously made are being satisfactorily met? Call customer to office and go over finances.

Is it practicable to allow customers to make additional installment purchases before already existing contracts are liquidated in full? Yes.

If so, what should be the basis of the further extension? New contract including old balance.

42. On contract accounts, could the use of the pass book eliminate the necessity of mailing monthly statements? Yes.

43. Is the ten weeks pay plan functioning successfully, or is it really a 15 and 18 weeks pay plan in actual operation? No. Pay very prompt.

Should interest be charged, with the knowledge of the customer, on installment sales? No.

If so, on the basis of 10 weeks pay plan, what rate of interest should be charged? Should the rate of interest slide according as the amount of the sale involved is large or small? What is the logic in the sliding scale of interest charges as practiced by some of the big stores? Should interest charges be refunded on anticipated payments? Should the interest or carrying charge be included in the quoted price?

44. What explanation can be given for the fact that for a generation the maintaining of definite 30 and 60 day terms was the keynote to all retail credit standards, whereas today there is an open competition in terms? Fight for business.

It is a known fact that in the case of the few items that were customarily looked upon as justifiably saleable on time, the terms have widened from 10 months to 3 years. Is it not reasonable to presume that the same widening of terms will come about in department stores? Yes.

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Men's Clothing Group Conference

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In consideration of the psychology of the situation would it not appear that retail credits will become strictly installment credits and that the 30 and 60 day account will become a thing of the past? No.

If the above presumption is not sound, what forces will come into play to control the competition in terms that installment selling has precipitated? Awakening of people themselves from over-buying.

45. Upon the hypothesis that installments in clothing stores may be conceivable, should there not be a standardization of percentage of down payment, terms, and carrying charges, or should these terms, etc., vary according to the character of merchandise being purchased? Store policy.

If not, why not? If so, why so? What should be the maximum term limit on installment selling? Six months.

46. When a clothing store operates both a customary and an installment business, is there not a tendency for the customary accounts to degenerate into part payment accounts? Yes.

Upon the presumption that it is proper to follow up any delinquency in installment payments, is it not logical to presume that in the instance in which a customer maintains both an open 30 day and installment account that the 30 day account will be placed in jeopardy because of possibility of loss of good will of the customer as result of the pressure in collecting the installment account? Do not have both.

In clothing stores operating both on the customary basis and installment basis, should the status of both accounts, when the customer carries both, be considered in collection proceedings? Has the installment-paying habits of an applicant for credit any weight with the 30 day credit house?

47. To what extent is the repossession or replevin privilege exaggerated as a fundamental protection in extending installment credit?

Is not the contract of fictitious value, and merely an alibi for haphazard credit extensions? Acknowledgement of the account.

Are repossessions ever executed in mens' clothing? No.

If so, to what extent? To what extent is an account allowed to become delinquent before repossession is attempted? What are the steps of procedure in completing repossession? After a repossession has been completed, what is the accounting procedure? Are losses sustained through repossession charged to merchandise department or credit department? Credit department.

48. What discount rates are customarily assessed against clothing store installment account paper? Paper not discounted.

49. Are any statistics available from clothing stores operating installment accounts as to the relative cost of doing this character of business? Five per cent higher.

That is, cost of operation in ratio to sales volume?

50. What is the percentage of charge-off of firms doing a strictly 30 day business? Three-fourths to one per cent. Installment business, 5%.

Both kinds of business? Proportion to sales of each type.

51. Is there a possibility of control of installment selling? No. Get cost and gamble for profit.

Through what manner or means?

Common Sense in Collections

(Continued from page 22)

Remember, the average customer doesn't regard credit terms in the same reverential manner as you do. As a matter of fact he does not think about terms at all. To you, as a specialist, credit terms and prompt payments are the life-blood of business. To the customer they are just some abstract terms that you are always writing about. Bear in mind *accounts receivable* represent merchandise that has been taken out of your stock, and must be paid for.

Remember, collecting is nothing but salesmanship. Add to this Personality and Persuasion and you have it. Proper collection methods present a wonderful opportunity to establish a friendly contact between store and customer. It presents an opportunity for education to the customers you want and the elimination of those you do not want.

There is no magical secret to collection work. It is just hard work, plus good common sense, properly applied.

A little ode to the Collection Manager:

"He worked all day,

Toiled half the night,

He gave up play

And all delight;

Dry books he read,

New things to learn,

And forged ahead

Success to earn.

He plodded on

With faith and pluck.

And when he won

They said 'twas luck."

Flashes

(Continued from page 19)

result that we found 20% had used this method of paying their account and believe this figure would tend to discourage any idea to discontinue this practice.

"It is my opinion that the husband, wife or daughter, as the case may be, at a certain time of the month, when writing a number of checks to be mailed, will give those preference having return envelopes enclosed, as we known in this day and age, the path of least resistance or effort is to a great extent followed.

"Taking this into consideration, would the same apply to collection letters? Perhaps it would be well to try as you know the old saying, 'Nothing tried, nothing gained.'"

WASHINGTON, D. C., HOLDS ANNUAL ELECTION

Leo Baum, Comptroller of Goldenberg's, was elected President of the Associated Retail Credit Men of Washington, D. C., Inc., at the annual meeting of the organization held at the Credit Bureau offices. Mr. Baum has served the Association for several years as vice-president and takes the helm thoroughly conversant with the ideals of service and activities of the credit reporting and collection offices.

Ben Stein, Credit Manager of King's Palace, was named a Director of the Association and elected to the Vice-Presidency of the organization. Stephen H. Talkes was re-elected Secretary-Treasurer and Louis S. Grigsby was named Assistant Secretary.

The following members of the Board of Directors were re-elected: A. Coonin, William Hahn and Co.; Charles M. Keefer, S. Kahn Sons Co.; Mark Lansburgh, Lansburgh & Bro.; Elsie M. Lee, Frank R. Jelleff, Inc.; Harry V. Ostermayer, Woodward and Lothrop; Herbert J. Rich, B. Rich's Sons; David Sanger, Philipsborn's; Samuel T. Schwartz, Charles Schwartz and Son; Stephen H. Talkes, the

Credit Bureau; John W. Tallentire, The Hecht Co., and Mr. Baum.

John W. Tallentire, retiring President of the Association, was presented with a resolution conveying the thanks of the Board for the excellent manner in which he conducted the affairs of the organization during his year in office.

George Curtis Shinn was named General Counsel at the meeting following the election of officers, and Frank R. Long was re-appointed Attorney for the Collection Department.

The Secretary reported the most progressive year in the history of the Bureau, citing the membership of over four hundred as one indication, and the handling of forty thousand telephone calls during the month of December as further evidence of the efficient state of the organization.

STATISTICAL STUDY IS APPRECIATED

Following are two of the many letters of appreciation being received daily by the Committee in charge of the credit statistics research work:

Boggs & Buhl
Pittsburgh

March 1, 1928.

University of Michigan
School of Business Administration
Ann Arbor, Michigan.
Attention of Mr. Schmalz:
My Dear Mr. Schmalz:

We have been delayed in filling out your questionnaire on office costs on account of the pressure of business incident to the closing of our books February 1st.

I do not know when I have been so impressed with the clarity of a questionnaire as I have been with this one. Furthermore it happened to coincide almost exactly with our own organization divisions. Possibly the only exception is in item 2-A, where we include in our credit office the cost of handling the ac-

counts receivable cash in the cashier's office.

We will be very interested indeed to receive your report on this questionnaire. May I know about when you expect it to be available?

I would also appreciate your sending me a duplicate copy of the questionnaire for our files. You need not fill it in as I have preserved the data, but I would like to have it on the regular form.

Yours very truly,
(Signed) A. N. FRASER,

Hugh a Marti Company,
Incorporated
Long Beach, California
February 25, 1928.

Bureau of Business Research,
School of Business Administration
University of Michigan,
Ann Arbor, Michigan.
Gentlemen:

We are enclosing your questionnaire on credits and accounts receivable activities for the 12 months ending January 31, 1928, filled out in detail.

We feel privileged to be included in this research problem that you are investigating. It is obvious that it is an important and timely study and we are very anxious to co-operate with your school of business administration.

Trusting that you will receive reports from a sufficient number of institutions to make this investigation a true picture of conditions and that your work will be the success that it deserves, we are

Very truly yours,
Hugh A. Marti Company.
(Signed) J. F. BISHOP,

NEW ENGLAND CONFERENCE AT PORTLAND, MAINE

The Conference of the National Retail Credit Association for members in the New England states will be held in Portland, Me., on May 7-8. It is expected this will be an unusually interesting meeting.

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Flashes

(Continued from page 28)

ST. LOUIS CREDIT MANAGERS CHANGE NAME OF COLLECTION DEPARTMENT

The Collection Department of the Associated Retail Credit Men of St. Louis, which has been operated under the name of Dows & Wheeler, has been changed to the St. Louis Retailers Collection Service, and will be governed by a board of directors selected from members of the Credit Men's Association. This department has made a phenomenal success during the past five years and is one of the most efficient collection mediums in the country.

the automobile. Whether it be in great cities, in villages, hamlets, or in the country, the entire aspect has been changed, and the horizon of living broadened by the use of this method of independent transportation.

And, like a great giant, America lay asleep to the need of good hard surfaced roads, until the insistent demand of the automobile brought about a building program that will continue until the country is covered by a network of magnificent highways that will equal or excel the best of those in Europe.

CLASSIFIED ADVERTISING

CREDIT BUREAU EXECUTIVE

Former department manager of a reporting and collecting bureau in a southern city of three hundred thousand desires an immediate and similar connection with a well organized association, preferably in a southern city; or will organize a bureau in some locality in need of same. Thoroughly experienced and efficient in every phase of credit association work. Address Box 10, in care of THE CREDIT WORLD, 606 Equitable Bldg., St. Louis, Mo.

EXPERIENCED CREDIT AND COLLECTION MAN, AGE 40, MARRIED, OPEN FOR POSITION. BEST OF REFERENCE. Credit World, Box 2, 606 Equitable Bldg., St. Louis, Mo.

FOR SALE—The control of a privately owned credit and collection bureau is offered for sale. Bureau is located in a growing western town of 11,000 and has been established for about four years. Sale of stock carries with it position of manager at \$300.00 the month. Present manager has excellent reason for wishing to dispose of his stock. Address Box 3, Credit World, 606 Equitable Building, St. Louis, Mo.

HARRISBURG, PENNSYLVANIA OPENS COLLECTION DEPARTMENT

The Harrisburg (Pa.) Credit Exchange, which has made a phenomenal success under the management of James D. Hays, has added another service feature: A Collection Department, under the management of L. A. Merkle.

Mr. Hays is one of the outstanding examples of Credit Bureau success. Starting six years ago, he has made the Harrisburg Credit Exchange a community and national service, with records on 170,000 individuals and a membership of 400 merchants. 56,000 Credit Reports were furnished last year and we feel his collection service will be on the same high plane as his reporting service.

Crassus of Ancient Rome

(Continued from page 24)

more closely united democracy. The city housing problem attending the growth of great office buildings has been somewhat solved by the expanding of suburban life made possible and more convenient by

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912.

Of Credit World, published monthly, at St. Louis, Missouri, for April 1, 1928.

State of Missouri

City of St. Louis

Before me, a notary public in and for the State and city aforesaid, personally appeared D. J. Woodlock, who, having been duly sworn according to law, deposes and says that he is the Editor of the Credit World, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 443, Postal Laws and Regulations, printed on the reverse of this form, to-wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are:
Publisher, National Retail Credit Association, St. Louis, Mo.

Editor, D. J. Woodlock, St. Louis, Mo.
Managing Editor, A. B. Sanders, St. Louis, Mo.

Business Managers, none.

2. That the owners are: (Give names and addresses of individual owners, or, if a corporation, give its name and the names and addresses of stockholders owning or holding 1 per cent or more of the total amount of stock.) None.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: (If there are none, so state.) None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company but also in cases where the stockholder or security holder appears upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

5. That the average number of copies of each issue of this publication sold or distributed, through the mails or otherwise, to paid subscribers during the six months preceding the date shown above is 15,000.

(This information is required from daily publications only.)

D. J. WOODLOCK.

Sworn to and subscribed before me this 11th day of April, 1928.

WM. E. WITTRIG.

(My commission expires May 1, 1931.)
(Seal)

Legal Problems of Finance Companies

(Continued from page 21)

one act which was in violation of two statutes. When the case came up for trial in the U. S. District Court, the defense showed the conviction in the state court and argued that he couldn't be placed twice in jeopardy for the same act. The state court held that this defense was not good. The case was carried to the U. S. Supreme Court, and I think the consequences of what the U. S. Supreme Court did there is very far reaching, and that we have not yet seen the end of those consequences.

The U. S. Supreme Court held that the conviction in the lower court was no bar to his prosecution in the Federal Court. On this point the court said: "The 18th amendment to the Constitution contemplates that the manufacture of intoxicating liquors for beverage purposes may be denounced as a criminal offense both by the federal law and by the state law."

You remember that the 18th amendment does contain that provision as to enforcement by both state and federal authorities. Under the decision in the Herbst case it is now settled that laws may not only coexist but may be enforced independently of each other.

Where such manufacture is thus duly denounced by both State and the Federal Government, one who engages in it commits two distinct offenses, one against the U. S. and one against the state, and he is subject to prosecution and punishment in the Federal Court for one and in the state court for the other, without any infraction of the constitutional rule against double jeopardy, that rule being limited to repeated prosecutions for the same offense.

The opinion in the Herbst case greatly increases the difficulties of finance companies in Kansas.

A great many states have search and seizure laws and other kindred laws. These laws are enforced by bailiffs, constables, and sheriffs.

The automobilist has become rather familiar with speed laws and this method of prosecution for their infraction in various localities. Justices of the peace have become rather important personages in some localities because of their summary methods in speed cases. The authorities in some localities have established speed traps and they have employed constables and have done a thriving business on Sundays and other days when automobile travel is heavy. Publicity, when rightly applied, has usually stopped unfair practices and extortion.

Some of you are doubtless having cars picked up in some states under the search and seizure act. In some localities these cars will be turned back to the finance companies for a price named by the sheriff or the constable. Abuses arising from such practices I think can be righted by proper publicity.

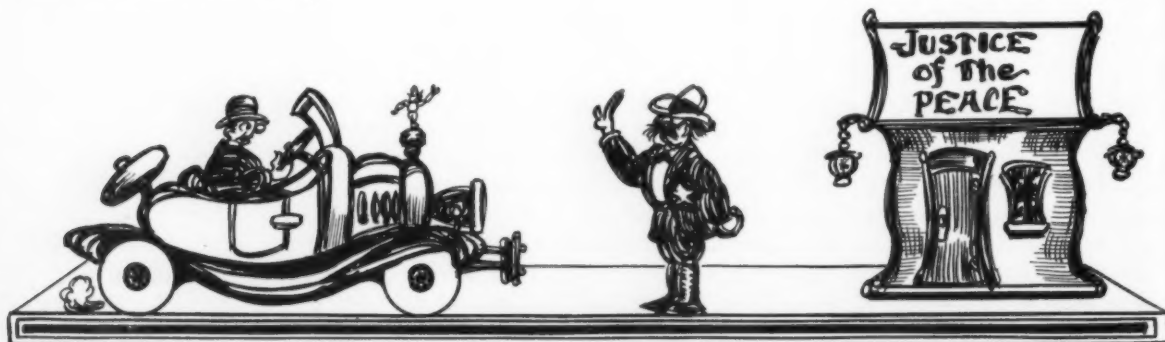
It occurs to me that activity on the part of members of this body and other people engaged in the finance business will focus public attention on the abuse and lead to its correction.

I want to call the meeting's attention to a subject that I discussed at your annual meeting two years ago, that is to the importance of making full use of the registration laws of the various states. I am satisfied that the finance companies of Pennsylvania, Michigan and Missouri have already learned the great value of these registration statutes.

I have been handed since I came in here today, the November issue of the advance sheets of the Indiana Supreme Court decisions which illustrate one phase of the subject that I have in mind.

All finance companies, or more of them, at times find it necessary to purchase paper executed by employes of automobile agencies. That sort of business is not looked upon with favor, and yet I take it that

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Justices of the Peace have become important personages because of their methods in speed cases.

Legal Problems of the Finance Companies

(Continued from page 30)

practically all members of this Association find it necessary to carry more or less paper of that kind. That paper is good if the purchase is actually made by the employe, and if the employe takes delivery of the car and uses it with customary *indicia* of ownership. It is not good against a subsequent *bona fide* purchaser without notice, if the employe permits the car purchased by him to remain on the floor of the salesroom. It is not good as against such a purchaser, if he drives it about in the company's business with the company's license tag on it, and leaves it stored in the company's garage. The case may turn on the way the car was registered and in whose name it is licensed.

The employe in the Indiana case signed the papers and agreed to make the payments, but he didn't take out a license in his own name. He was supposed to take possession of the car and keep it at home, but he didn't have a garage and he left it with the other cars. The dealer, of course, sold the paper to a finance company, and after a time the dealer had an opportunity to sell that car to somebody else and did so. Then the conflict arose between the finance company owning the paper and the innocent purchaser who without knowledge of the former transaction bought the car from the dealer, while in the possession of the dealer, it never having gone out of the possession of the dealer. This second sale was made from the floor of the salesroom.

The opinion of the Indiana court is precisely the opinion you ought to expect from every other court where these identical facts are presented. You don't want that paper. If you are compelled to purchase paper executed by employes, you should compel the purchaser to take delivery of his car, register it in his own name, and keep it in his own possession and away from other cars owned by the agency.

REPLIES TO QUESTIONS FROM THE FLOOR

The dealer is responsible to the finance company for all losses on paper sold by fraud and deceit to the finance company, if the finance company has believed the representations made in fraud and deceit be true, and has acted on such representations.

If the dealer and an alleged buyer, in collusion, had created paper purporting to cover the sale of a car, although in fact no sale or delivery had occurred, and the dealer had then sold this paper to a finance company, both the dealer and the alleged buyer would be guilty of obtaining money by false and fraudulent representations. Furthermore, if the dealer sent the paper to your company by mail you ought to have no difficulty in securing an indictment in the Federal Court

for using the mails to defraud, provided you have retained in your possession proof that will enable you to show that the paper was actually sent to you through the mail.

There is a belief more or less prevalent that the finance company can do floor plan financing safely by taking chattel mortgages on the automobiles on the sales room floor and having them properly recorded. My answer is "No." A chattel mortgage puts you on notice, not with respect to the car, but with respect to the liens against a car, in the possession of a particular person with whom you deal. You are not put upon such notice if you are buying new cars from the floor of a dealer, any more than you would be put upon notice as to the possible chattel mortgage on a suit of clothes offered for sale to you by Marshall Field over their counter in the retail store. It affords no real protection.

I have followed the Argart appeals case in New York with a great deal of interest. New York has a factors' act which provides for a lien in favor of an original seller of an article while it is in the show room or display room for sale, but the provisions of that act must be complied with, and that act contains provisions for notice to the public. Now, I take it that you would have no trouble in protecting yourselves on floor planning if the cars that you had financed on the dealer's floor were placarded with your name as the property of your company, but without that you have no protection by mortgage or otherwise as against innocent purchasers without notice.

In that New York case the court did uphold the claim of a bank which held a chattel mortgage on a car in the dealer's show room as against the claim of an innocent purchaser for cash. You won't find another such decision in New York or anywhere else in the country. I don't know whether it will be followed by other New York decisions. I am a doubting Thomas about that, but I want to say one thing, emphasize another proposition here.

If some ingenious chap ever works out a plan that will enable him to establish a secret lien on automobiles standing on the floor of the automobile dealer, which will enable that man holding that secret lien to repossess those cars from purchasers who buy without knowledge of the secret lien, when that sort of practice becomes general, it will destroy your retail business, by destroying the value of liens on retail transactions. I do not believe that the secret lien of a finance company or any one else will ever hold good against the innocent purchaser of a new car from the dealers' floor, even in New York.

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